

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 IO-13  
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00  
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00  
NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01  
TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 /166 W  
-----106456 200302Z /75

R 191554Z JUL 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 8315  
INFO AMEMBASSY CANBERRA  
AMEMBASSY BRASILIA  
AMEMBASSY BUENOS AIRES  
USINT HAVANA  
AMEMBASSY PORT LOUIS  
AMEMBASSY SUVA  
AMEMBASSY NEW DELHI  
AMEMBASSY MOSCOW  
AMEMBASSY CAIRO  
AMEMBASSY OTTAWA  
AMEMBASSY SANTO DOMINGO  
AMCONSUL RIO DE JANEIRO  
USMISSION GENEVA  
AMEMBASSY BRUSSELS  
AMEMBASSY LIMA

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USEEC

E.O. 11652: N/A  
TAGS: ETRD, EAGR, ETRD, ISO  
SUBJECT: SUGAR -- ISA EXECUTIVE BOARD - AUSTRALIA GETS  
OFF THE HOOK

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REF: (A) LONDON 11131 (B) LONDON 11221 (C) GENEVA 10945  
(D) LONDON 10870

1. SUMMARY. INTERVENTIONS BY SIX MAJOR IMPORTING AND  
EXPORTING COUNTRIES (CUBA, ARGENTINA, MAURITIUS, INDIA,  
CANADA AND US) ENABLED AUSTRALIA AND BRAZIL TO GRACEFULLY  
AGREE TO A SUPPLEMENTARY AGENDA FOR THE MEETING OF THE

INTERNATIONAL SUGAR AGREEMENT (ISA) EXECUTIVE COMMITTEE MEETING ON JULY 28, 1978 IN LIEU OF A SPECIAL EMERGENCY SUGAR COUNCIL (REFTELS (A) AND (B)) SESSION TO CONSIDER WHAT TO DO TO IMPLEMENT THE ISA AND ARREST RECENT PRICE DECLINES. THE CONSENSUS OF THE GROUP WAS THAT SUCH A COUNCIL MEETING MIGHT FURTHER AGGRAVATE THE MARKET SITUATION AND WOULD NOT PROVE ANY MORE EFFECTIVE IN STIMULATING US RATIFICATION OF OR EC COOPERATION WITH THE ISA THAN AN EXECUTIVE COMMITTEE DISCUSSION LINKED WITH A CAREFULLY CONSTRUCTED PRESS RELEASE ON JULY 28. END SUMMARY.

2. AUSTRALIAN DELEGATE BRIAN HILL OPENED THE EXECUTIVE COMMITTEE MEETING WITH A STATEMENT OUTLINING AUSTRALIA'S REASONS FOR SEEKING A SPECIAL COUNCIL SESSION (STATEMENT BEING SENT SEPTTEL). AUSTRALIA WANTS A DETAILED DISCUSSION OF THE CURRENT MARKET SITUATION, IN WHICH THE SUGAR PRICE IS LOWER THAN AT ANY TIME SINCE 1972, AND OF THE ADVERSE EFFECTS OF (A) THE U.S. DELAY IN RATIFICATION AND (B) THE LACK OF A POSITIVE EC APPROACH TO THE ISA. THE IMMEDIATE PROBLEM AS AUSTRALIA SEES IT IS THE MARKET REACTION TO U.S. NON-RATIFICATION. AUSTRALIA BELIEVES ALMOST ALL THE PRICE DECLINE OF RECENT WEEKS IS DUE TO THAT FACT. THEY FURTHER FEAR COMMERCIAL OPERATORS WOULD DRAW THE CONCLUSION THAT ISO QUOTAS ARE TO BE IGNORED AND THE WORLD SUGAR COMMUNITY WOULD BE PUT IN A SITUATION LIMITED OFFICIAL USE

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WHERE QUOTAS WOULD BE IGNORED AND SHIPMENTS WOULD BECOME EXCESSIVE. THE THOUGHT BEHIND THE CALL FOR A SESSION WAS TO ENABLE THE U.S. TO COMMUNICATE TO MEMBERS THAT REAL PROGRESS IS BEING MADE TOWARDS RATIFICATION AND HOPEFULLY ANNOUNCE BY THE TIME THE COUNCIL SESSION TAKES PLACE IN LATE JULY THAT THE U.S. HAD RATIFIED. ANOTHER AIM WOULD BE TO SEEK AN INTERIM COMMITMENT FROM THE EC TO EXERCISE FAR GREATER RESTRAINT IN ITS APPLICATION OF EXPORT SUBSIDIES SO THAT PRESSURE MAY BE TAKEN OFF WORLD SUGAR PRICES. AUSTRALIA VIEWS THESE FACTORS AS PREJUDICIAL TO THE PROSPECTS FOR FULL AND SUCCESSFUL IMPLEMENTATION OF THE ISA AND WANTS TO PREVENT THEM GETTING OUT OF HAND. THE GRAVE FEAR IS THE AGREEMENT COULD COLLAPSE AS AN EFFECTIVE MARKET CONTROL MECHANISM.

3. BRAZIL AGREED WITH MOST OF THE AUSTRALIAN STATEMENT AND CALLED FOR A STOCK-TAKING OF WHAT COULD BE DONE OVER THE NEXT TWO MONTHS. BRAZIL, HOWEVER, ASKED FOR THE OPINIONS OF OTHERS.

4. CUBA SET THE BASIS FOR THE GENERAL REACTION TO THE REQUEST BY SAYING WHILE IT HAS NO SPECIFIC OBJECTIONS TO

A SPECIAL SESSION, IT THOUGHT IT MORE USEFUL TO EXTEND  
THE EXECUTIVE COMMITTEE OF JULY 28, 1978 TO DISCUSS THE  
SITUATION, AS CALLED FOR BY AUSTRALIA AND BRAZIL. NOTING  
THAT THE FINANCIAL TIMES OF JULY 19 (SENT SEPTTEL) HAD  
ALREADY PUBLISHED THE FACT THAT THE EXECUTIVE COMMITTEE  
WAS MEETING, AND THAT IT WOULD BE IMPOSSIBLE TO DISGUISE  
A SPECIAL COUNCIL SESSION, ARGENTINA SUPPORTED THE IDEA  
OF USING THE EXECUTIVE COMMITTEE VENUE. MAURITIUS AGREED  
THAT A COUNCIL SESSION IS A SERIOUS MATTER AND THAT THE

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UNITED STATES WOULD NOT HAVE ASKED FOR A POSTPONEMENT OF THE STOCK FUND FINANCING PROVISIONS UNTIL OCTOBER 1ST IF IT DID NOT FEEL IT NEEDED THAT MUCH TIME TO SECURE RATIFICATION. BOTH MAURITIUS AND ARGENTINA SPECULATED AS TO WHAT COULD BE DONE WITHIN THE CONTEXT OF AGREEMENT LIMITED OFFICIAL USE

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PROVISIONS AND NOTED THAT THE ORGANIZATION SHOULD BE HESITANT TO UNDERTAKE WHAT IT IS INHERENTLY POWERLESS TO DO. CANADA ALSO HOMED-IN ON THE POTENTIAL COUNTER-PRODUCTIVE NATURE OF A COUNCIL MEETING, AND THE U.S. JOINED IN THE GENERAL CONSENSUS WHICH WAS EMERGING. ONLY INDIA STOOD OUT AS BEING IN FAVOR OF A COUNCIL SESSION AS A VEHICLE TO SEEK A FURTHER COMMITMENT FROM THE U.S. ON RATIFICATION AND AS A MEANS FOR FINDING MEASURES TO SOLVE THE MARKET PROBLEM FACING EXPORTERS.

5. AUSTRALIA AND BRAZIL AGREED THAT A DISCUSSION UNDER A SEPARATE AGENDA OF THE EXECUTIVE COMMITTEE ON JULY 28 MET THEIR NEEDS. AUSTRALIA NOTED THAT IT HAD MANAGED TO STIMULATE A DISCUSSION ON THE TOPICS AND FORESAW THE NEED FOR THE ISO TO KEEP THE SITUATION UNDER CONTINUOUS REVIEW

6. THE SEPARATE AGENDA FOR THE AFTERNOON SESSION OF THE EXECUTIVE COMMITTEE CONSISTS OF TWO ITEMS:

- A) CONSIDERATION OF THE PROBLEMS BEING FACED IN THE MARKET AND IN SECURING THE FULL AND EFFECTIVE OPERATION OF THE INTERNATIONAL SUGAR AGREEMENT;
- B) A PRESS COMMUNIQUE.

THE EC WILL SPECIFICALLY BE INVITED TO ATTEND THE MEETING IN AN OBSERVER CAPACITY. OTHERS MAY BE INVITED ALSO. THE DRAFT AGENDA FOR THE COUNCIL SUPPLIED IN REFTEL (B) IS NO LONGER OPERATIVE. THE DRAFT AGENDA FOR THE MORNING MEETING FOR JULY 28 WILL BE SENT SEPTTEL.

7. COMMENT. AUSTRALIA APPEARS TO HAVE REMOVED ITSELF FROM THE DIFFICULT POSITION IT PLACED ITSELF IN BY MAKING ITS STATEMENT AT THE AD HOC INTERGOVERNMENTAL COMMITTEE OF UNCTAD (REFTEL (C)). THE AUSTRALIAN DELEGATION TO THE ISO SEEMED SATISFIED WITH THE OUTCOME BUT MADE IT CLEAR LIMITED OFFICIAL USE

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IT WANTED TO KEEP PRESSURE ON THE UNITED STATES FOR RATIFICATION AND ON THE EC FOR ITS MARKET PRACTICES IN SUGAR. FURTHER, AUSTRALIA WANTS TO BE ON RECORD THAT IT IS COMPLYING WITH ITS OBLIGATIONS UNDER THE ISA BY NOT EXCEED-

ING ITS QUOTA BY SALES TO COMMERCIAL OPERATORS BEYOND THE QUANTITY ALLOWED. THE IMPLICATION IS THAT SOME COUNTRIES MAY ALREADY BE EXCEEDING THEIR QUOTA RESTRAINTS.

PERU IS A CASE IN POINT WHICH WILL BE DISCUSSED AT THE NEXT EXECUTIVE BOARD MEETING, AND THE WORKING GROUP ON THE DOMINICAN REPUBLIC IS HOPEFULLY PREVENTING THE DOMINICAN REPUBLIC FROM BECOMING ANOTHER CASE (REFTEL (D) ). AUSTRALIA POINTED OUT THAT THOSE COUNTRIES ABIDING BY THEIR STOCKING OBLIGATIONS IN THE ISA MIGHT LOSE THE INCENTIVE TO DO SO IF THE EC CONTINUES ITS CURRENT PRACTICES AND THE U.S. CONTINUES TO DELAY ITS RATIFICATION.

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SUGAR  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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